

INKFISH SERVICES LIMITED
(Registered No: 3789864)

DIRECTORS' REPORT AND ACCOUNTS
NINE MONTHS TO 31 MARCH 2004



INKFISH SERVICES LIMITED
DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the nine month period ended 31 March 2004.

The accounting reference date has been changed to 31 March to align with the year end of the ultimate holding company, Domestic & General Group PLC.

RESULTS AND DIVIDENDS

The results for the period are shown in the profit and loss account on page 4. The directors propose to recommend the payment of a dividend of £25,000 payable on 20 July 2004. Total dividends for the period amounted to £25,000 (year to 30 June 2003: £65,000)

BUSINESS REVIEW

The principal activities of the company are fulfilment and mailing services. The company has undertaken the construction of a new mailing facility at Coventry, which is due for completion in June 2004.

DIRECTORS

The directors who held office during the period ended 31 March 2004 were:

J J Pearmund	Appointed 26 January 2004
D S A Hollingdale	
S D Garbett	
P C Griffiths	
D R Potter	
J S Ritchie	
T J R Scrivener	Resigned 31 December 2003
T K Sledmar	
K S Wilson	

DIRECTORS' INTERESTS

The directors' interests in the share capital of the company or any group company requiring disclosure in these accounts for the period ended 31 March 2004 are as follows:

	Domestic & General Group Plc Fully Paid Ordinary Shares of 10p each		Domestic & General Group Plc Options over Ordinary Shares under Executive Share Option Schemes		Domestic & General Group Plc Options over Ordinary Shares under Savings Related Share Option Schemes	
	<u>31.3.04</u>	<u>30.6.03</u>	<u>31.3.04</u>	<u>30.6.03</u>	<u>31.3.04</u>	<u>30.6.03</u>
S D Garbett	-	-	3,235	3,235	-	-
P C Griffiths	725	725	12,748	12,748	2,782	2,782
D S A Hollingdale	-	-	10,000	10,000	2,782	2,782
D R Potter	-	-	-	-	-	-
T K Sledmar	-	-	3,273	3,273	1,296	1,296

The interests of J J Pearmund, J S Ritchie and K S Wilson are disclosed in the accounts of the ultimate holding company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

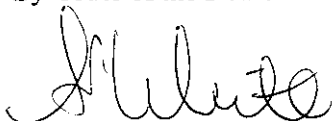
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution in accordance with Section 384, Companies Act 1985, for the reappointment of KPMG Audit PLC as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



A P White
Secretary

1 June 2004

Registered Office

Swan Court
Mansel Road
London
SW19 4AA

INKFISH SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit PLC
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB

1 June 2004

INKFISH SERVICES LIMITED
 PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31 MARCH 2004

	Note	Nine months to 31 March 2004 £	Year to 30 June 2003 £
TURNOVER	2	2,804,849	3,886,225
Cost of goods sold		(219,031)	(400,080)
Direct costs		(1,183,759)	(1,445,870)
GROSS PROFIT		<u>1,402,059</u>	<u>2,040,275</u>
Distribution costs		(55,166)	(206,392)
Administrative expenses		(1,203,486)	(1,638,111)
Interest payable		<u>(60,347)</u>	<u>(7,245)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	83,060	188,527
Tax on profit on ordinary activities	5	<u>(17,798)</u>	<u>(59,330)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		65,262	129,197
Dividends	6	(25,000)	(65,000)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	14	<u><u>40,262</u></u>	<u><u>64,197</u></u>

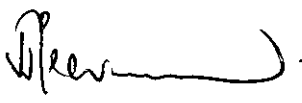
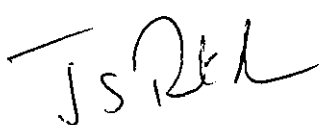
All income and expenditure relates to continuing operations.

The company has revised its accounting policy to show relevant staff costs as direct costs rather than as an element of administrative expenses. This is to reflect better the way in which the business currently operates. The prior year comparatives have been restated and there is no impact on the company's result for the prior year.

INKFISH SERVICES LIMITED
BALANCE SHEET AT 31 MARCH 2004

	Note	31 March 2004		30 June 2003	
		£	£	£	£
INVESTMENTS					
Freehold land and buildings	7		2,422,690		-
FIXED ASSETS					
Tangible assets	8		<u>576,083</u>	<u>341,282</u>	
			2,998,773	341,282	
CURRENT ASSETS					
Stocks	9	65,374		114,811	
Debtors	10	651,955		461,293	
Cash at bank and in hand		<u>155,727</u>		<u>24,144</u>	
		873,056		600,248	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(3,686,548)</u>		<u>(825,594)</u>	
NET CURRENT LIABILITIES			<u>(2,813,492)</u>	<u>(225,346)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			185,281	115,936	
PROVISIONS FOR OTHER RISKS AND CHARGES	12		<u>(30,388)</u>	<u>(1,305)</u>	
			<u>154,893</u>	<u>114,631</u>	
CAPITAL AND RESERVES					
Called up share capital	13		50,000	50,000	
Profit and loss account	14		<u>104,893</u>	<u>64,631</u>	
			<u>154,893</u>	<u>114,631</u>	

These accounts were approved by the Board of directors on 1 June 2004.

J J PEARMUND

J S RITCHIE

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) Directors
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INKFISH SERVICES LIMITED
 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
 AT 31 MARCH 2004

	31 March 2004 £	30 June 2003 £
Total recognised gains for the period	65,262	129,197
Dividends	<u>(25,000)</u>	<u>(65,000)</u>
Movement on reserves	40,262	64,197
Increase in share capital	-	49,999
Opening shareholders funds	<u>114,631</u>	<u>435</u>
Closing shareholders funds	<u>154,893</u>	<u>114,631</u>

1. ACCOUNTING POLICIES

(a) Basis of Accounts

The financial statements have been prepared under the historical cost convention and comply with applicable accounting standards.

(b) Turnover

Turnover represents amounts receivable for services provided, exclusive of VAT.

(c) Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life using the straight line method. The rates are as follows:

Fixtures, fittings, furniture & equipment	15% per annum
Motor vehicles	25% per annum
Computer equipment	25% per annum

(d) Stocks

Stocks are stated at the lower of cost and net realisable value.

(e) Pension Scheme

The company participates in the defined contribution pension scheme operated by Domestic & General Group PLC in whose accounts full disclosure of the pension arrangements are made.

The costs of providing pensions for employees are charged in the profit and loss account in the period to which they relate.

(f) Deferred Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences, between the treatment of certain times for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

(g) Cash Flow Statement

The company has taken advantage of the exemption within Financial Reporting Standard 1 (Revised) not to provide a cash flow statement because it is a wholly owned subsidiary of Domestic & General Group PLC.

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(h) Related Party Transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary undertaking of Domestic & General Group PLC.

2. Turnover

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
Mailing activities	2,210,057	2,705,853
Fulfilment activities	594,792	1,180,372
	<u>2,804,849</u>	<u>3,886,225</u>

3. Profit on ordinary activities before taxation

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
Profit on ordinary activities before taxation is stated after charging:		
Directors' remuneration - as executives	93,025	163,351
Directors' defined contribution pension costs	8,006	12,213
Depreciation	37,449	47,915
Auditors' remuneration	12,750	12,250
Interest payable to group companies	<u>60,347</u>	<u>7,245</u>

4. Staff numbers and costs

The average number of employees employed by the company during the period were as follows:

	Nine months to 31 March 2004	Year to 30 June 2003
Executive directors	8	10
Fulfilment	26	41
Mailing	69	65
	<u>103</u>	<u>116</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,145,961	1,444,357
Social security costs	99,159	119,584
Other pension costs - defined contribution schemes	51,874	15,351
	<u>1,296,994</u>	<u>1,579,292</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. Taxation

(a) Analysis of charge for the period

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
UK corporation tax on profits of the period at 20% (2003: 30%)	1,029	58,025
Adjustments in respect of prior periods	(13,106)	-
Total current tax	(12,077)	58,025
Deferred tax (see note 11):		
On assets transferred in from Group company	3,765	1,108
Movement in the period	26,110	197
Tax on profit on ordinary activities	<u>17,798</u>	<u>59,330</u>

(b) Factors affecting the tax change for the current period

The current tax charge for the period is lower (year to 30 June 2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:-

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
Current tax reconciliation:		
Profit on ordinary activities before tax	<u>83,060</u>	<u>188,527</u>
Corporation tax at 30% (2003: 30%)	24,918	56,558
Effects of:		
Expenses not deductible for tax purposes	1,522	1,467
Origination and reversal of timing differences	(29,083)	
Other adjustments	3,672	
Current tax charge for period	<u>1,029</u>	<u>58,025</u>

6. Dividends

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
Proposed final dividend - payable 20 July 2004	<u>25,000</u>	<u>65,000</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7 Freehold land and buildings

	Market value £	Cost £
At 1 July 2003	-	-
Costs incurred during period	2,422,690	2,422,690
At 31 March 2004	<u>2,422,690</u>	<u>2,422,690</u>

Construction of a new mailing facility was undertaken during the period and is due for completion by June 2004. The carrying value at 31 March 2004 was based on the costs actually incurred to that date.

8 Tangible assets

	Computer equipment £	Fixtures fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2003	38,936	371,100	54,741	464,777
Additions	18,480	268,506	-	286,986
Disposals	-	-	(35,191)	(35,191)
At 31 March 2004	<u>57,416</u>	<u>639,606</u>	<u>19,550</u>	<u>716,572</u>
Depreciation				
At 1 July 2003	15,305	87,962	20,228	123,495
Disposals	-	-	(20,455)	(20,455)
Charge for the period	7,927	24,407	5,115	37,449
At 31 March 2004	<u>23,232</u>	<u>112,369</u>	<u>4,888</u>	<u>140,489</u>
Net book value				
At 1 July 2003	<u>23,631</u>	<u>283,138</u>	<u>34,513</u>	<u>341,282</u>
At 31 March 2004	<u>34,184</u>	<u>527,237</u>	<u>14,662</u>	<u>576,083</u>

9. Stocks

	31 March 2004 £	30 June 2003 £
Goods for resale	60,014	83,452
Brochures and packaging	5,360	31,359
	<u>65,374</u>	<u>114,811</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. Debtors

	31 March 2004 £	30 June 2003 £
Trade debtors	466,105	350,716
Due from group companies	80,199	39,273
Prepayments and accrued income	94,366	90,136
Corporation tax	11,285	(18,832)
	<u>651,955</u>	<u>461,293</u>

11. Creditors: amounts falling due within one year

	31 March 2004 £	30 June 2003 £
Trade creditors	118,872	78,611
Accruals and deferred income	109,043	92,134
Due to group companies	3,433,633	589,849
Dividend proposed	25,000	65,000
	<u>3,686,548</u>	<u>825,594</u>

12. Provisions for liabilities and charges

Deferred tax has been provided as follows:

	31 March 2004 £	30 June 2003 £
Accelerated capital allowances	<u>30,388</u>	<u>1,305</u>

Under FRS19, deferred tax is provided for in full on timing differences

	Deferred taxation £
At 1 July 2003	1,305
Provided in the period	<u>29,083</u>
At 31 March 2004	<u>30,388</u>

13. Called up share capital

	31 March 2004 £	30 June 2003 £
Authorised		
- Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
- Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. Profit and Loss account

	£
Balance at 1 July 2003	64,631
Retained profit for the period	40,262
Balance at 31 March 2004	<u>104,893</u>

15. Capital Commitments

At 31 March 2004, the company had capital commitments in respect of the additional construction costs of the new mailing facility at Coventry (referred to in note 7) and the purchase of machinery. The estimated amount of capital commitment was £2,587,931 (2003: £nil)

16. Directors Emoluments

The aggregate emoluments of the directors charged in the accounts of the company were:

	Nine months to 31 March 2004 £	Year to 30 June 2003 £
Salaries	100,073	161,851
Bonuses	-	1,500
Pension charge - defined contribution scheme	8,006	12,213
	<u>108,079</u>	<u>175,564</u>

The highest paid director's emoluments in the period were £53,663 (year to 30 June 2003 : £116,686) and the pension contributions were £4,500 (year to 30 June 2003: £7,963).

The number of directors accruing retirement benefits during the year was 2.

17. Ultimate Holding Company

The ultimate holding company is Domestic & General Group PLC which is incorporated and registered in England. The Group accounts can be obtained from Swan Court, Mansel Road, London SW19 4AA.